



REGULAR MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

November 14, 2008

Vice President John Paull called the regular meeting to order at 8:30 a.m. Friday, November 14, 2008. Roll call was taken with all members of the Board being present. Board members and staff present were:

John Paull, Vice President
Loren Bough, Member
Darcy Halpin, Member
John Nielsen, Member
Ray Peck, Member
Dianna Porter, Member
Terry Smith, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Legal Counsel
Scott Miller, Legal Counsel
Ursula Hatfield, Executive Assistant

OPEN MEETING

Beth Long, Great West Retirement Services; Jason Baker, Ed Cleary, Scott Moore and Doug Neil members of the Montana State Firefighter's Association; Tom Schneider, MPEA; Russell Wrigg, AMRPE; Don Kinman, Steve Regenstreif, Tim Twardoski and Linda Zander, AFSCME; and Kim Flatow, Member Services Bureau Chief; Angel Molyneaux, Training Specialist; Barb Quinn, Fiscal Services Bureau Chief; and Joel Thompson, Training Specialist, joined the meeting.

MINUTES OF OPEN MEETING

The minutes of the open meeting of October 9, 2008 were presented.

Motion: Ms. Darcy Halpin moved to approve the minutes of the October 9, 2008 PERB Regular Open Meeting with corrections.

Second: Mr. Terry Smith

No public comment.

Vote: 7/0

The minutes of the open meeting of October 20, 2008 PERB Special Teleconference Meeting.

Motion: Ms. Dianna Porter

Second: Mr. John Nielsen

No public comment.

Vote: 6/0, Mr. Terry Smith abstained.

Public Comment on any subject of interest not on the Board agenda

Vice President Paull welcomed the new PERB member, Loren Bough.

Mr. Bough introduced himself as a business man having lived overseas. He grew up on a farm and a cattle ranch in Highwood, MT and currently resides in Big Sky.

EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

President/Vice-President Elections – John Paull

With the resignation of Jay Klawon, the Presidency is open. Mr. John Paull is the current Vice-President, acting as President in Mr. Klawon's absence. The Board needs to elect a President. In the event that Mr. Paull is elected, the Board will need elect a new Vice-President. Ballots allow Board members to check the box indicating their choice. The ballots were collected by the Executive Assistant. Mr. Bough abstained from casting a vote.

Mr. John Paull was elected PERB President with a 6/0 vote.

Mr. John Nielsen was elected PERB Vice-President with a 4/2 vote.

Board Committees – John Paull

President Paull appointed members to Board committees.

Legislation Committee

Ray Peck, chair

John Paull

Terry Smith

Audit Committee (Members will appoint a chair amongst themselves)

Loren Bough

Darcy Halpin

Dianna Porter

Joint Issues Committee

John Paull
Dianna Porter

Personnel Committee

Darcy Halpin, chair
John Nielsen
Ray Peck

Notice of Adoption of Rules – Melanie Symons and Kim Flatow

Ms. Symons explained the rule adoption process to new member, Mr. Bough.

The comment period for the Boards' Administrative Rule Rewrite and the amendment of ARM 2.43.427 has expired. Four comments were received regarding the rule rewrite. The comments were included in the Board packet.

Motion: Mr. Ray Peck moved to uphold staff recommendation and adopt the rules.

Second: Ms. Dianna Porter

No public comment.

Vote: 7/0

PERS-DCRP Plan Document Amendment – Melanie Symons and Kathy Samson

The Deferred Compensation (457) Plan and PERS-Defined Contribution Retirement Plan document needs to be amended for our IRS filing. In August the Board approved the 457 Plan Document amendments. Staff has been working with ICE Miller, tax counsel to amend the current PERS-DCRP.

Motion: Ms. Darcy Halpin moved to uphold staff recommendation and adopt the PERS 401(a) Defined Contribution Retirement Plan (DCRP) Plan Document and amendment, as restated by ICE Miller, the Board's tax counsel, and staff.

Second: Mr. Terry Smith

No public comment.

Vote: 6/0 with Mr. Bough abstaining.

PERS-DCRP/457 Rule Notices – Melanie Symons

The DCRP and the 457 plan Documents are adopted in rule by reference. The rule notices were included in the Board packet.

Motion: Mr. Terry Smith moved to adopt, by reference, the revised Defined Contribution Retirement Plan Document.

Second: Mr. John Nielsen

No public comment.

Vote: 6/0 with Mr. Bough abstaining.

Motion: Mr. John Nielsen moved to adopt, by reference, the revised 457 State of Montana Public Employee Deferred Compensation Plan Document.

Second: Ms. Dianna Porter

No public comment.

Vote: 6/0 with Mr. Bough abstaining.

457 Plan Private Letter Ruling - Melanie Symons and Kathy Samson

The Board determined in August to pursue a Private Letter Ruling with respect to the amended 457 Deferred Compensation Plan.

Motion: Ms. Dianna Porter moved to uphold staff recommendation and approve the Statement of Facts for the 457 Deferred Compensation Plan Private Letter Ruling as prepared by ICE Miller, the Board's tax counsel, and reviewed by staff.

Second: Ms. Darcy Halpin

No public comment.

Vote: 7/0

Fiduciary College Training/Travel – Roxanne Minnehan

The Board's responsibility as fiduciary to the trust funds is its primary and critical role. Stanford Law School is offering a program in fiduciary education, January 6-7, 2009, Stanford University, Stanford, California. The fee is less expensive and the program is shorter than we have seen in the past. It would be beneficial to new and experienced Board members. The agenda and estimated cost per person is included in the Board packet.

Motion: Mr. John Nielsen moved to approve Fiduciary Training at Stanford Law School, January 6-7, 2009 at Stanford University, Stanford, California for President John Paull and Ms. Dianna Porter.

Second: Ms. Darcy Halpin

Vote: 7/0

Set Quarterly Board Meeting Dates – January, February, March 2009 – John Paull

The board meeting dates for January, February and March need to be scheduled. The second Thursday would be January 8, February 12 and March 12.

Motion: Ms. Darcy Halpin moved to approve the next quarter Board Meetings as follows: Thursday, January 8; Thursday, February 12; and Thursday, March 12.

Second: Ms. Dianna Porter

No public comment.

Vote: 7/0

Ms. Halpin informed the Board that she will be travelling during those months and will attempt to teleconference in, if possible.

Staffing – Expand Half-time Paralegal Position to Full-time and include Records Management duties – Roxanne Minnehan, Melanie Symons and Barbara Quinn

Another resignation has prompted staff to consider combining the half-time Paralegal position with the recently approved Records Management position. Staff proposes to change the Paralegal position to full-time and incorporate records management duties.

Motion: Mr. John Nielsen moved to combine the existing half-time paralegal position with the previously approved records management position to create a single full-time position under Legal.

Second: Mr. Terry Smith

No public comment.

Vote: 7/0

Board Education – PERS Plan Choice Workshop – Angel Molyneaux and Joel Thompson

Board members on the retreat committee requested presentations of educational seminars provided to our members and employers. Given retreat time constraints, we have planned the PERS Plan

Choice Workshop as the month's education item. Future Board meetings may include other workshop topics. Angel Molyneaux and Joel Thompson, MPERA Education Specialists, provided the presentation.

AFSCME Information – Don Kinman and Steve Regenstrief

President Paull has placed a presentation by AFSCME at Mr. Kinman's request on the agenda. Mr. Kinman is the former Executive Director of the Montana chapter of AFSCME. AFSME would like to request Board consideration of withholding union dues from benefit checks. Mr. Kinman introduced Steve Regenstrief, international director of AFSCME from Washington, D.C. Mr. Regenstrief addressed the Board with the reasons they would like to have a dues deduction system. He stated by using this system it saves time and money on mailings and reminders. Mr. Regenstrief worked with other states and organizations in setting up this system. Mr. Regenstrief stated that at this stage, systems ask for monetary assistance but never request it after completion. He stated there are approximately 1,200 retirees in Montana and suggests a floor of 200 to begin the process. 75% of dues staff in the state, 25% goes to AFSME. When questioned why he wouldn't consider annual deductions over monthly, Mr. Regenstrief responded that annual deductions cause confusion for the retirees as well as problems with refunds. The question the Board and staff asked is the cost to set up and maintain this system. Mr. David Ewer, Budget Director for Governor Schweitzer, addressed the Board stating the Governor's Office supports collective bargaining and affirms the request for the dues deduction system. Mr. Ewer stated he expects the system to cost approximately \$4000 per year for maintenance.

President Paull directed staff to report its findings on this issue at the December Board meeting.

DCRP Investments – SsgA International Growth Opportunities Fund Closure

The Board and the Employee Investment Advisory Council (EIAC) completed their annual review of the investment options offered in the Defined Contribution Retirement Plan and the 457 Deferred Compensation Plan. The Board voted unanimously to terminate the SSgA International Growth Opportunities fund in the PERS-DCRP due to underperformance. It is being replaced by the Principal Investors International Growth (PITIX) fund.

On Friday, October 24, 2008 MPERA received notice that SSgA is liquidating "on or about December 12, 2008". This speeds up the process already communicated to participants. We mapped all participants' allocations to the SSgA fund to Principle Investors, effective October 27, 2008. We will transfer remaining balances in the SSgA fund to the Principle Investors, effective November 28, 2008.

FY 2009 Budget Status Report – 1st Quarter – Barbara Quinn

Barbara Quinn presented the status of the budget. The first quarter of fiscal year 2009 ended on September 30, 2008. Expectations would be that we are less than 25% expended. The current status looks good with the overall budget at 15.51% expended.

PERB Retreat Agenda – Melanie Symons

The PERB Retreat is scheduled for Thursday, December 11, 2008. An agenda is in the packet but has not been finalized. Some items the new Board members asked to be added are: 1.) Meeting the staff, 2.) the differences in the retirement systems, 3.) Our vendors and what they do for MPERA and 4.) what each Board member brings to the Board.

Verbal Update – NAGTAD Conference – Angel Molyneaux and Joel Thompson

Ms. Molyneaux and Mr. Thompson are MPERA's Education Specialists. They attended the annual National Association for Government Training and Development (NAGTAD) conference. They informed the Board that NAGTAD provided a good opportunity to network with veteran trainers. These individuals help them do a better job and ideas, given budget restraints. Some ideas include online training courses, e-learning and webinars. Ms. Molyneaux informed the Board that she was asked to be on the NAGTAD Board Member at Large.

Verbal Update – Joint Issues Committee – Roxanne Minnehan and John Paull

The meeting was tentatively scheduled for Thursday, November 13, 2008. This meeting was cancelled.

Verbal Update – Legislation – Roxanne Minnehan

The final drafts for the General Revisions Bill, Qualification Bill, and Working Retiree Bill are included in the Board packet. These are the final drafts submitted to the Budget Office. Also included in the Board packet is a list of un-introduced bills. Ms. Minnehan addressed each bill draft request. The firefighters are going to submit LC109, LC110 and LC112, but will wait and see what course of action to take with the town issue (LC111). LC113 is the 911 dispatchers joining SRS. LC4409 is from the Secretary of States Office to move administrative distribution of funds process to Department of Administration, including MPERA.

Also James Keane has three placeholders to "revise pension law".

Verbal Update – MPERA Staffing – Roxanne Minnehan

Receptionist: Eldonna Budt started October 20, 2008. She has 30 years of office experience working for the Federal Reserve Bank in Helena.

IT Programmer: Judeykay Schofield's first day will be December 1, 2008. Ms. Schofield has a B.S. in math. She is an experienced programmer with over 25 years with the State of Montana. She currently works for ITSD.

Retiree Database Support: Gregory Warhank started November 3, 2008. Mr. Warhank majored in history with minors in chemistry, biology and environmental studies. He has experience with studying, recording and charting meticulous data on insects and bugs demonstrating his attention to detail.

Paralegal: Angela Salvitti's last day was November 14, 2008. Ms. Salvitti has accepted a Federal job with the IRS. The Board made the motion earlier in the meeting to make this a full-time position and include Records Management duties.

Disabilities Examiner: This was posted internally on October 30, 2008.

Administrative Support, Member Services is a new position and is currently being classified.

Verbal Update – Board of Investments (BOI) – John Paull

The BOI met Wednesday and Thursday, November 12 and 13, 2008 in Bozeman. As of the third quarter all retirement systems (including TRS) lost \$704 million, as of October they lost \$816 million. Losses would have been greater had it not been for the diversified portfolio. As of September 30, 2007 the Pension Assets were at \$8.4 billion and \$6.1 billion as of October 30, 2008. PERS as of September 30, 2008, is at \$3.4 billion, TRS is at \$2.6 billion. Montana Domestic Equity Pool last quarter -9.8%, year -22.6%, market value is at \$2.6 billion. The International Equity Pool for the last quarter is -23.80%, for the year -33.00%, the market value is \$1.1 billion. Real Estate Equity Pool for the quarter -0.08%, for the year +3.74%, market value is \$353 million. Private Equity Pool for the quarter -0.02% for the year -3.14% for five years almost 20%, market value \$794,000. Retirement Fund Bond Pool for the quarter -2.75%, for the year +3.0% for three years +3.4%, five years almost +4%. Short Term Investment Pool for the quarter was +0.7%, for the year +3.7%, three years +4.7% and for five years +3.6%.

The Board requested the Executive Director contact the actuary to provide an update re: the impact of the market as of September 30 or October 31, holding the remaining information constant.

Verbal Update – Litigation – Melanie Symons, Scott Miller

No update given.

Next Board Meeting

December 12, 2008

Board Retreat

December 11, 2008

The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceed the merits of public disclosure. As such, this portion of the meeting will be closed.

CLOSED MEETING

Reconvene of open meeting

The minutes of the regular closed meeting of October 9, 2008 were presented.

Motion: Ms. Dianna Porter moved to approve the minutes of the October 9, 2008 PERB Regular Closed Meeting.

Second: Ms. Darcy Halpin

Vote: 6/0 with Mr. Bough abstaining.

Finalized Service Retirements Disability Benefit Payments - Kim Flatow

Motion: Mr. Terry Smith moved to approve the Finalized Service Retirement/Disability Benefit Payments with addendum and corrections.

Second: Ms. Dianna Porter

Vote: 7/0

ADJOURNMENT

There being no further business before the Board, Ms. Darcy Halpin moved to adjourn the meeting, Mr. Terry Smith seconded. All voted aye, next regular meeting will be Friday, December 12, 2008. Meeting closed at approximately 2:30.

The Board went into Executive Session with the Executive Director to conduct the Executive Director's performance appraisal.